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DEMAND and PRICE SITUATION

DPS - 14



Approved by the Outlook and Situation Board, February 20, 1956

SUMMARY

Prices of some farm products have increased from the 1955 lows reached in December. Prices for hogs and lower grades of cattle have risen seasonally and prices of broilers, cotton, potatoes and commercial vegetables are also higher. On the other hand, prices have declined seasonally for some other products, particularly milk and eggs.

Prices paid by farmers for commodities, interest, taxes and wages (the parity index) increased from December to January reflecting higher prices for feeder livestock and advances in tax and interest payments per acre. The parity ratio, which expresses the relationship of prices received to the parity index, held at 80 in January, the same as December but down about 7 percent from a year earlier.

Domestic demand for food and other farm products continues high. Consumer incomes, after taxes, in the final quarter of 1955 were 7 percent above a year earlier. Sales of food also rose as consumers continued to spend nearly a fourth of their income for food. Retail prices in the final months of 1955 averaged slightly below a year earlier. But the marketing margin for distributing

(Continued on page 3)

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1954	1955				1956
		Year	Jan.	Oct.	Nov.	Dec.	Jan.
Industrial production ^{1/}							
Total.....	1947-49=100	125	132	143	143	144	144
All manufactures.....	do.	127	133	145	145	146	145
Durable goods.....	do.	137	145	161	161	161	160
Nondurable goods.....	do.	116	121	129	129	130	130
Minerals.....	do.	111	120	123	125	129	129
Total outlay for new construc- tion ^{2/}	Million dollars	37,577	3,422	3,526	3,518	3,489	3,457
Residential.....	do.	13,496	1,338	1,374	1,345	1,326	1,283
Total civilian employment ^{3/}	Million	61.2	60.2	65.2	64.8	64.2	62.9
Nonagricultural.....	do.	54.7	54.9	57.3	57.9	58.3	57.3
Unemployment.....	do.	3.2	3.3	2.1	2.4	2.4	2.9
Income:							
Nonagricultural payments ^{2/4/}	Bil. dol.	271.9	276.5	294.4	296.4	299.8	
Production-worker payrolls ^{5/}	1947-49=100	137.7	141.5	161.2	163.9	163.8	158.4
Weekly earnings of production- workers in manufacturing ^{5/}	Dollars	71.86	73.97	78.50	79.52	79.71	78.36
Durable.....	do.	77.18	80.16	85.07	86.31	86.31	84.05
Nondurable.....	do.	64.74	66.02	69.32	70.12	70.30	69.83
Prices:							
Wholesale prices, all com- modities ^{5/}	1947-49=100	110	110	112	111	111	112
Commodities other than farm and food.....	do.	114	115	119	119	120	120
Farm.....	do.	96	92	87	84	83	84
Food, processed.....	do.	105	104	100	99	98	98
Prices received by farmers ^{6/}	1910-14=100	249	243	230	225	223	226
Crops.....	do.	243	247	224	224	227	231
Livestock and products.....	do.	255	240	236	225	219	221
Prices paid, interest, taxes and wage rates ^{6/}	1910-14=100	281	283	280	279	278	281
Items used in living.....	do.	274	273	274	273	273	272
Items used in production.....	do.	252	253	246	244	243	246
Parity ratio.....		89	86	82	81	80	80
Consumer price index ^{5/}	1947-49=100	115	114	115	115	115	
Food.....	do.	113	111	111	110	110	
Government purchases of goods and services ^{2/ 7/}	Billion dollars	77.0				77.2	
Federal (less Government sales).....	do.	49.2				46.3	
State and local.....	do.	27.8				31.0	

Annual data for the years 1929, 1932 and 1935-54 appear on page 41 of the April 1955 issue of The Demand and Price Situation.

- ^{1/} Federal Reserve Board.
- ^{2/} U. S. Department of Commerce.
- ^{3/} Bureau of the Census.
- ^{4/} Monthly totals seasonally adjusted at annual rates.
- ^{5/} U. S. Department of Labor, Bureau of Labor Statistics.
- ^{6/} U. S. Department of Agriculture, Agricultural Marketing Service.
- ^{7/} Quarterly totals seasonally adjusted at annual rates.
- # Revised series.

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and processing food averaged higher and the farmers' share of the retail cost of food was estimated at 38 percent in December compared to 42 percent a year earlier. Exports of farm products in the last half of 1955 exceeded a year earlier as a substantial decline for cotton was offset by increases in all other commodity classes.

Current trends suggest that economic activity is leveling off. Business investment outlays and Government expenditures are increasing. However, there has been some decline in residential building, and passenger car sales. Industrial production and employment have held relatively steady in recent months and upward pressure on prices of raw materials appears to have eased.

Commodity Highlights

Hog prices moved up sharply in late January, largely in response to smaller receipts but by mid-February, some of the gain had been lost. Seasonally increasing supplies of 1955 fall pigs will limit further price increases in coming months. Steady or slightly higher fed cattle prices are likely this spring.

Production of milk in January was a record high for the month and promises to set a new record for the year as a whole. Price supports for the 1956-57 marketing year will be at the same dollars and cents level as in the current year.

Egg prices declined in January after reaching their 1955 peak in December. As of early February, farmers intended to raise 3 percent more replacement chicks this year than in 1955.

Soybean prices are well above support, reflecting record crushings and exports. Soybean oil prices have advanced about 10 percent in the last 2 months.

The minimum national average support price for 1956 corn has been set at \$1.40 per bushel, 18 cents below last year's level. Acreage allotments totaling 43.3 million acres, 24 percent below last year, have been announced.

Grower prices for Florida oranges continued to increase in January and early February and averaged considerably higher than a year earlier.

Low temperatures in January severely damaged tender winter vegetable crops in Florida. Through February 11 nearly 10 million bushels of potatoes had been diverted to starch and 1.4 million bushels to feed under the potato diversion program.

The average 14 spot market price for Middling 15/16 inch cotton continued to rise in January and early February. The average rate of domestic mill consumption of cotton in January was the highest for that month since 1951.

Prices for the high quality 1955 burley tobacco crop averaged about 58 1/2 cents per pound--record high. About 15 percent of the crop was placed under loan, much less than a year earlier.

THE GENERAL ECONOMIC SITUATION

Total output of goods and services is estimated at an annual rate of more than 397 billion dollars in the last quarter of 1955, around 5 billion above the preceding quarter and 30 billion above a year earlier. Income payments, business investment expenditures and factory orders continue to rise. But the momentum has slowed and gains recorded in weekly and monthly statistical indicators are becoming smaller.

Automobile inventories are high and rising and production was cut back in January. New housing starts in January were at an annual rate of 1.2 million units, about the same as in December. Housing starts have been gradually declining since December a year ago. These areas of weakness, however, have been offset by increased consumer spending for nondurable goods and services and an expansion in business spending for new plant and equipment and for inventory. With a more gradual rise in total demands on the economy, industrial production has held steady the past three months and the upward pressure on raw material prices appears to have eased in recent weeks. Although down seasonally in January, employment continued at a record level for the month.

Consumer Income And Spending

Consumer income payments rose to a 315-billion-dollar annual rate in December, 3 billion dollars above November. This reflected heavy year-end dividend payments. Consumer incomes at the close of the year were 7 percent above a year earlier.

Consumer income, after taxes, in the last quarter was at an annual rate of nearly 277 billion dollars, 5 billion above the third quarter. Although incomes are expected to rise further in coming months, the gains are likely to be less rapid than in recent months. Further wage rate increases are in prospect; the rise in minimum wage rates scheduled for March 1 probably will affect 1 to 2 million workers.

Consumers Buy More
Soft Goods and Services

In each month of the last quarter of 1955, retail sales of durable goods have declined slightly. But this decline was more than offset by a steady increase in outlays for nondurable goods and services. Most of the decline in durables reflects the falling off in automobile purchases but sales of other consumer durables have also weakened some in recent months. Total consumer spending for durables in the last quarter of 1955 was down 2 billion dollars from the third, to a seasonally adjusted annual rate of nearly 35 billion. But expenditures for nondurable goods and for services increased by 4 billion dollars. Total retail sales in January were unchanged from December and 6 percent above a year earlier.

Table 1.- Retail sales of food in the United States, fourth quarter, 1954 and 1955, seasonally adjusted

Month	Sales		Percentage change
	1955	1954	
	Million dollars	Million dollars	Percent
October	3,686	3,522	4.7
November	3,728	3,494	6.7
December	3,726	3,657	1.9
Average	3,713	3,558	4.4

Consumer Credit
Rise Slackens

Consumer credit outstanding (new extensions less repayments) rose to 36.2 billion dollars in December, 3 percent above November. Most of the rise over the month was due to a seasonal increase in installment credit for consumer goods other than automobiles and in personal loans. The rise in consumer credit outstanding has been slowing down in recent months. Expanding

credit for automobile purchases was responsible for most of the steep upward trend in consumer credit during 1955. With the falling off in passenger car sales in recent months, credit outstanding on automobile paper has risen more slowly. Total credit outstanding at the end of 1955 was equal to about 13 percent of the annual rate of consumer income after taxes. This compares with 12 percent a year earlier.

Investment Demand

The rate of inventory accumulation has increased sharply during the past few months. Total business inventories rose at an annual rate of 5 billion dollars during the fourth quarter of 1955, about twice as rapidly as during the third quarter. While a rising number of automobiles in the hands of dealers has accounted for most of the rise in durable inventories at the retail level, this does not represent the bulk of the increase in total inventories. Stocks of other durable goods have increased and inventories of non-durable goods have risen substantially during the latter months of 1955. Rising prices contributed to some of the inventory increase. Despite the build up, inventories at the retail and manufacturing levels are still not high relative to sales. Ratios of stocks to sales have increased in recent months but they are still relatively low historically.

Table 2.- Manufacturing and Retail inventories, and stock-sales ratio, mid-quarterly, 1953-1955

Year and month	Manufacturers		Inven- tories- sales ratio	Retail		Inven- tories- sales ratio
	Sales	Inven- tories		Sales	Inven- tories	
	<u>Billion dollars</u>	<u>Billion dollars</u>	<u>Ratio</u>	<u>Billion dollars</u>	<u>Billion dollars</u>	<u>Ratio</u>
1953						
February	24.7	44.2	1.79	14.5	21.7	1.50
May	25.5	45.3	1.78	14.4	22.5	1.56
August	25.0	46.3	1.85	14.1	22.8	1.62
November	23.8	46.1	1.94	14.1	22.4	1.59
1954						
February	23.6	46.1	1.95	14.0	22.4	1.60
May	23.2	44.3	1.91	14.0	22.8	1.63
August	23.1	43.1	1.87	14.2	22.5	1.58
November	24.0	43.3	1.80	14.4	22.1	1.53
1955						
February	24.6	43.3	1.76	14.8	22.4	1.51
May	26.7	43.5	1.63	15.4	23.0	1.49
August	27.2	44.3	1.63	15.7	23.3	1.48
November	27.3	45.7	1.67	15.8	23.6	1.49

Construction Outlays Decline Slightly

Total new construction expenditures, after seasonal adjustment, eased downward in January for the fourth consecutive month. Until last October, rising expenditures for commercial and industrial construction were sufficient to offset declining outlays for residential housing. But since October, expenditures for total private non-residential building have been registering small declines and residential construction outlays have eased further. Outlays for public construction projects have been inching up each month since early last fall, reflecting the expansion in road building, schools and sewer and water facilities.

With substantial increases in plant and equipment expenditures planned by businessmen for this spring, it is likely that outlays for commercial and industrial building will at least hold around present levels for the next few months and the uptrend in government building is expected to continue. Actions have been taken to loosen credit on housing. In the last week of January the maximum maturity period on FHA and VA mortgages was extended to 30 years; terms had been shortened from 30 to 25 years in July last year. The Federal National Mortgage Association has increased substantially its mortgage purchases in the secondary market in recent weeks. It is too early to tell whether these developments will have a significant effect on residential building but contract awards for residential construction showed a substantial rise in January. New housing starts in January were at a seasonally adjusted annual rate of 1.2 million units, the same as in December. This compares with a total of 1.3 million new homes begun in 1955 and the peak rate of 1.5 million in December 1954 when the downtrend in homebuilding began.

Industrial Output and Employment

Manufacturers' Orders Rise

Manufacturers' shipments were unchanged from November to December at 27.3 billion dollars, seasonally adjusted, 13 percent above a year earlier. Both durables and nondurables were firm during December. Machinery and transportation equipment sales rose during the month while primary metals and motor vehicles showed declines. Manufacturers' new orders moved up 3.5 percent in December. The biggest increase in orders was reported by aircraft companies but producers of other durables and nondurable manufacturers also reported a rise in new orders.

Since factory shipments in recent months have held relatively stable while new orders have increased, the backlog of unfilled orders continues to grow. In December the value of unfilled manufacturers' orders stood at 55.5 billion dollars. These will help to maintain industrial production in coming months.

Auto Production
Cut Back

Production of passenger cars was cut in January to about 614,000 units from 683,000 in December. Sales of 1956 model cars have been less than production and stocks of new cars in dealers' hands have been rising. At the end of January new car inventories were around a record level of 800,000 and probably will be slightly higher at the end of February. Dealers' sales in January totaled about 500,000 cars, around 72,000 less than December sales and around 100,000 less than the number produced. It is possible that some further reduction in output may occur this month in an effort to reduce dealer inventories; production rates in early February were down slightly from a month earlier. Layoffs occurred in most major companies in January and a 5 day week is now prevalent in the industry.

The Federal Reserve Board's index of industrial production held at 144 (1947-49=100) from December to January. Output of durable goods as a whole declined only slightly. Automobile production dropped 9 percent. Small production declines from peak rates in durable manufactures output occurred over a wide range of industries, particularly fabricated metal products, electrical machinery, transportation equipment, furniture and fixtures, and instruments. However, output of lumber and lumber products showed a substantial increase. Among the nondurables, small gains were reported for paper and printing, and petroleum and coal products while production of textiles and apparel remained close to earlier advanced levels. The index of minerals output was unchanged with a decline in coal offset by a rise in output of crude oil and natural gas.

Table 3.--Indexes of industrial production of major industrial groups, fourth quarter, 1954 and 1955 with percentage change, seasonally adjusted

(1947-49=100)

Group	: Average October-December :		Percentage change
	: 1954	: 1955	
			Percent
Industrial production	: 128	144	12.5
Durable manufactures	: 141	161	14.2
Primary metals	: 117	149	27.4
Metal fabricating	: 152	172	13.2
Clay, glass and lumber	: 131	140	6.9
Furniture and miscellaneous	: 123	136	10.6
Nondurable manufactures	: 118	130	10.2
Textiles and apparel	: 103	113	9.7
Rubber and leather products	: 110	124	12.7
Paper and printing	: 127	141	11.0
Chemicals and petroleum products	: 145	164	13.1
Food, beverages and tobacco	: 106	111	4.7
Minerals, Total	: 113	126	11.5

Steel output continues at a record high pace with operations in January and early February at close to 100 percent of capacity. If sizable further reductions occur in the automotive industry--the steel mills' best customer--mill operations may recede somewhat from the current very high rates. However, with business plans for further expansion and modernization of plant and equipment (including expansion of steel capacity), operations in the steel industry should be well maintained.

Employment Decline Less Than Seasonal

Employment fell by 1.3 million from December to a total of 62.9 million workers in early January. This was less than the usual seasonal decline following the Christmas season. Nonagricultural employment declined by a million workers. Layoffs in the automobile industry and an employment drop in some nondurable goods manufacturing industries accounted for much of the decline.

The number in the civilian labor force also dropped from December to January--by 800,000. Consequently, the rise in unemployment was not as great as the decline in employment. Unemployment increased from 2.4 to 2.9 million and now represents 4.4 percent of the civilian labor force, compared with 3.6 percent in December.

Along with the decline in numbers employed, the length of the workweek was shortened during January. The average workweek of production workers in manufacturing was shortened from 41.3 to 40.6 hours. Most of the decline was in durables industries where average hours were reduced from 41.9 to 41.0; the workweek in nondurables goods industries was shortened from 40.4 to 39.9 hours.

Farm Employment Below a Year Ago

The seasonally adjusted farm employment index of the Agricultural Marketing Service declined one point from 60 to 59 (1910-14=100) from late December to late January. A 7 percent drop in hired labor caused the decline; family labor showed only the usual seasonal decline. The number of persons working on farms this January was 4 percent below a year ago. Family workers declined 5 percent over the year while the numbers of hired workers increased slightly.

Commodity Prices

Prices Received by Farmers Up Slightly

The Index of Prices Received by Farmers rose 1 percent from mid-December to mid-January to 226 (1910-14=100). Higher prices for meat animals, strawberries, potatoes, and for some vegetables which suffered frost damage in

Florida, mainly accounted for the increase. The All Crops index advanced from 227 to 231 and the Livestock and Products index rose from 219 to 221. A pick up in beef cattle and hog prices resulted in a rise of 3 percent in the meat animals index, the first increase since last June.

Prices received by farmers for all farm products in January averaged 7 percent below a year earlier. Crops were down about 6.5 percent and livestock and products 8 percent. Biggest declines among the crops were in the feed grains and hay, oil-bearing crops, and potatoes and sweetpotatoes groups; tobacco and fruit were above a year ago. The dairy, and poultry and egg groups were above 1954 but sharply lower prices for meat animals resulted in lower average prices for livestock and products.

Sharp advances in feeder livestock prices and higher tax and interest payments per acre led to a 1 percent rise in January in the Index of Prices Paid by Farmers for Commodities, Interest, Taxes and Wage Rates (the Parity Index). Prices paid for production items increased 1 percent, largely due to the higher livestock prices while prices paid for family living were fractionally lower than in December. Since the index of Prices Received and the Parity Index each increased by about the same percent, the Parity Ratio was unchanged at 80, about 7 percent below January a year earlier.

Central market prices for major agricultural products averaged slightly higher from mid-January to mid-February. Food and feed grains generally advanced slightly, though barley, No. 3, at Minneapolis declined around 3 percent. The 14-market average of 15/16 inch cotton showed unusual strength--up 4 percent in the 4-week period.

Livestock products showed mixed movements. Hogs at Chicago picked up strongly from mid-January to early February but declined during the second and third weeks of this month, with a net gain of about 10 percent over the month. Slaughter steers at Chicago showed a net decline of around 5 percent from mid-January to mid-February. Broilers at Del-Mar-Va rose during this period while mid-Western eggs declined.

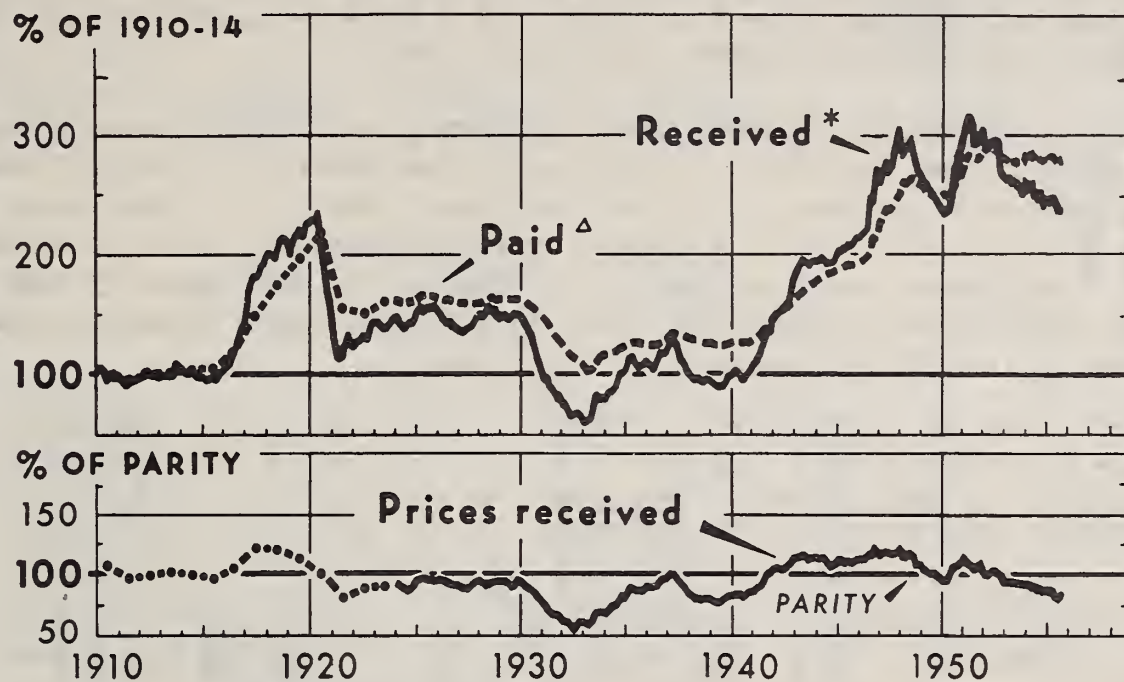
Consumer Prices Remain Steady

The Consumer Price Index declined slightly to 114.7 (1947-49=100) in December from the peak of 115.0 in November, the highest level for this index since July 1954. A 1 percent drop in the cost of transportation and smaller decreases for food and housing were only partially offset by slight advances for medical care and personal care. The consumer price index for urban families has fluctuated within a range of less than 1 percent for more than 2 years.

Industrial Raw Material Prices Leveling Off

Rising prices of industrial raw materials were primarily responsible for the slow upward trend in wholesale prices in 1955. As production approached

FARMERS' PRICES



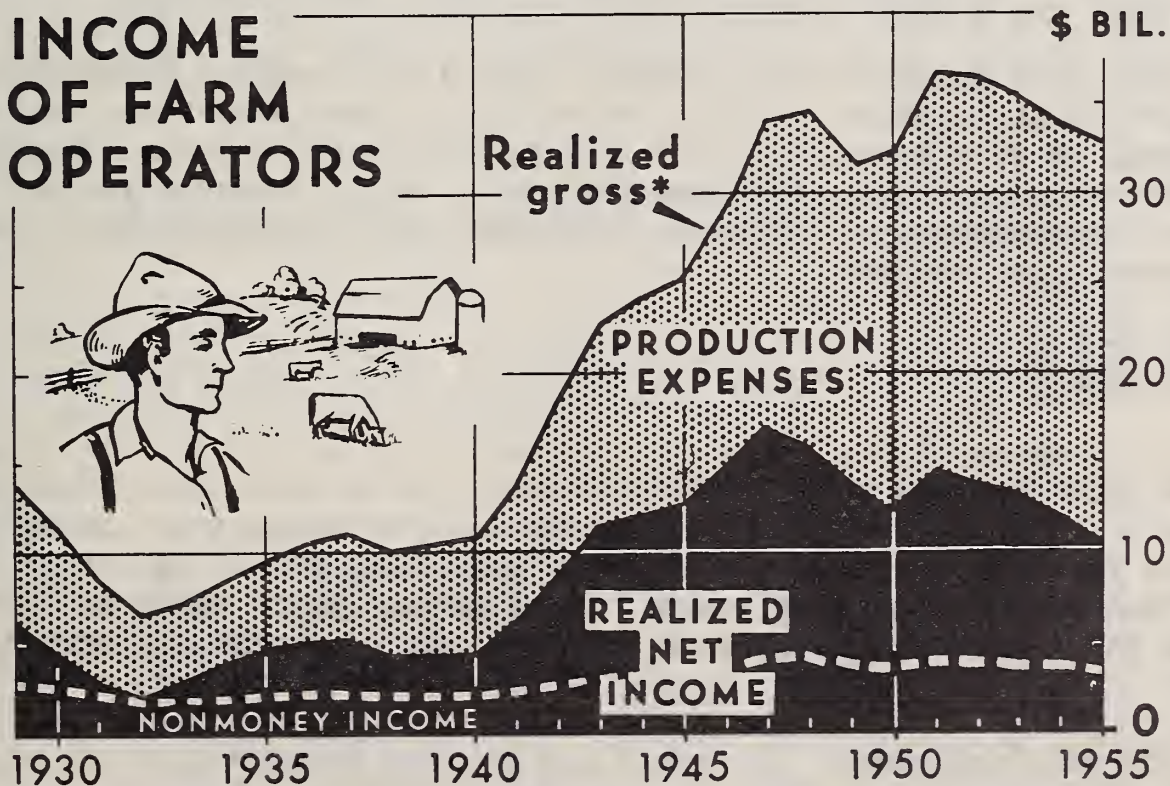
* MONTHLY DATA

 Δ INCLUDES INTEREST, TAXES, AND WAGE RATES. ANNUAL AV. DATA, 1910-23;
BY QUARTERS, 1924-36, BY MONTHS, 1937 TO DATE

U. S. DEPARTMENT OF AGRICULTURE

NEG. 98-55 (10) AGRICULTURAL MARKETING SERVICE

INCOME OF FARM OPERATORS



*INCLUDING GOVERNMENT PAYMENTS, BEGINNING 1933

U. S. DEPARTMENT OF AGRICULTURE

NEG. 443-55 (11) AGRICULTURAL MARKETING SERVICE

Table 4.- Prices received and paid by farmers, January 1956 and January 1955, with percentage change

Indexes	(1910-14=100)			Indexes	Percent-			January	Percent-		
	1956	1955	age change		1956	1955	age change		1956	1955	age change
Prices received by farmers											
All farm products											
Crops											
Food grains	226	243	-7.0	Prices paid, interest, taxes and wage rates	281	283	-0.7				
Feed grains and hay	231	247	-6.5								
Feed grains	220	241	-8.7	Prices paid to farmers:	259	264	-1.9				
Feed grains	171	204	-16.2	Family maintenance	272	273	-.4				
Cotton	170	206	-17.5	Farm production	246	253	-2.8				
Tobacco	259	275	-5.8	Farm production, interest, taxes, and wage rates	286	290	-1.4				
Oil-bearing crops	452	425	6.4	Feed	200	223	-10.3				
Fruit	236	274	-13.9	Livestock	270	306	-11.8				
Commercial vegetables	225	216	4.2								
tables 1/	244	257	-5.1								
Potatoes, etc. 2/	161	192	-16.1								
Livestock and products											
Meat animals	221	240	-7.9	Interest 3/	152	136	11.8				
Dairy products	207	263	-21.3	Taxes 3/	432	409	5.6				
Poultry and eggs	260	258	.8	Wage rates	522	521	.2				
Wool	205	163	25.8								
	222	284	-21.8	Ratio, prices received: to prices paid, interest, taxes, and wage rates	80	86	-7.0				

1/ For fresh market.

2/ Includes sweetpotatoes and dry edible beans.

3/ Annual index.

capacity in a number of industries and supplies of materials tightened, industrial prices began to climb. In most months, this was sufficient to offset falling farm product prices. In the past several weeks this rise appears to have been halted and declines have occurred among those commodities which led the advance. From early January to early February raw industrial commodities declined 4 percent and the metals group, 4.5 percent. Tin prices fell 7.5 percent, rubber 13 percent, lead scrap 6.5 percent, and copper scrap 2 percent.

AGRICULTURAL EXPORTS

Exports of U. S. farm products in 1955 are estimated at 3.2 billion dollars, 5 percent above the previous year; volume also rose by about 5 percent. With a nearly 2 billion dollar increase in foreign gold and dollar resources during 1955 and with industrial activity abroad at record levels, foreign demand for farm products was strong. However, foreign supplies of many of the commodities exported by the United States are large. Most of the increases in exports in 1955 over a year earlier were the result of U. S. Government export programs, and a large percentage was from stocks held by CCC. During 1956, a significant part of our agricultural exports will continue to move under special programs.

Export Sales on Credit

The most recent action to help reduce CCC holdings was announced on February 7. Under a new credit sales program, agricultural commodities owned by CCC and tobacco pledged to CCC under price support programs will be offered for sale for export on credit extended by CCC for periods up to 3 years at rates of interest presently set at 3 to 4 percent per annum depending on the repayment period. Although export credits are extended to U. S. exporters, it is expected that the maximum credit benefits will be passed on to foreign importers. Heretofore, except for barter transactions, CCC policy has been to sell for cash. With payment of principal and interest assured by banks in the United States, no loss on these items is expected to be sustained by CCC. Furthermore, the program is expected to result in savings to CCC through reductions in storage costs. Shipments made by exporters to private importers under this program will not be subject to the Cargo Preference Act which requires partial shipment in U. S. vessels.

Export credit has long been a feature of the export promotion activities of other countries. The United States has in the past extended short term credit (mainly for cotton) through the Export-Import Bank. In addition, long-term loans to finance agricultural exports have been a feature of foreign aid legislation. Currently, part of the proceeds accruing from sales of surplus commodities for foreign currencies under PL 480 and the Mutual Security Act are loaned to foreign governments on a long-term basis. These loans are generally made through established banking facilities of the foreign countries and are repayable in dollars, foreign currency, or strategic materials.

Approximately half of the total sales proceeds of some 500 million dollars from agreements negotiated under Title I of PL 480 through December 31, 1955 was scheduled to be loaned to foreign governments.

Export Program Activities
Since January 1, 1956

New foreign currency sales agreements under PL 480 since January 1, 1956, have a combined market value of 85 million dollars. The biggest of these was with Yugoslavia (49 million dollars), providing for the sale of approximately 14 million bushels of wheat, 49,000 bales of cotton and 88 million pounds of lard. This was in addition to the 30 million dollars authorized by Congress in economic aid to Yugoslavia under the Mutual Security Act. The bulk of this amount will be used to finance the shipment of 7 million bushels of wheat, 50,000 bales of cotton and 15-20 million pounds of tallow. Thus, Yugoslavia, which last year was one of our 10 leading export markets as a result of government export programs, will again receive large supplies of U. S. commodities. Wheat exports to Yugoslavia in 1954-55 under PL 480 and the Mutual Security Act totaled 40 million bushels, or 18 percent of total U. S. wheat exports. Lard exports to Yugoslavia were nominal last year; the quantity programmed this year would equal 17 percent of total lard exports in 1954-55.

Other agreements signed so far in 1956 provide for the sale of approximately 100 million pounds of cottonseed or soybean oil to Spain, various commodities, including 30,000 bales of cotton, valued at 21 million dollars to Austria, some 21.7 million dollars worth of commodities including 100,000 bales of cotton to Burma, and 40 million pounds of beef to Israel. Moreover, a previous agreement with Brazil was amended to include an additional 10 million bushels of wheat in the form of either wheat or wheat flour, while an agreement with Egypt was amended to double the previous authorization for 3 million bushels of wheat. The International Cooperation Administration thus far in 1956 has issued purchase authorizations for 54 million dollars worth of agricultural commodities, of which 19 million dollars is for wheat and wheat flour, and 16 million dollars for cotton.

On January 3 the first bids were opened on the special export program under which CCC was offering up to 1 million bales of cotton, 15/16 inch and shorter. By February 15 about 805,000 bales had been sold for export. While this cotton cannot move under PL 480, it is eligible for export under the Mutual Security Act and Export-Import Bank loans as well as for payment in dollars. As of December 31, 1955 the Bank had not yet disbursed 60 million dollars in cotton loans extended to Japan and Austria, while ICA had substantial outstanding authorizations scheduled for delivery in 1956. The special export program was designed to assist lagging cotton exports.

The program under which wheat is being donated for foreign relief purposes through U. S. private relief agencies has resulted in shipment of 1.7 million bushels of wheat to Italy since January 1, 1956.

FARM INCOME

Farmers' cash receipts from marketings in January are tentatively estimated at 2.3 billion dollars, down 7 percent from a year ago largely because of lower average prices. Meat animal prices were down substantially from last year, and lower receipts from meat animals held total receipts from livestock and products to 1.3 billion dollars, 3 percent below last year's level. Crop receipts were around 1.0 billion dollars, 12 percent below a year ago because of lower average prices and smaller marketings.

LIVESTOCK AND MEAT

A new record slaughter and meat production in 1956 seems indicated by the January 1 inventory of meat animals on farms. The AMS index of the number of meat animals was up 2 percent from a year ago. Cattle and calves on farms and ranches reached a new high of 97.5 million head, up 1 percent or 873,000 from last year. The number of hogs on farms was up 9 percent, largely due to an increase in the fall pig crop. Sheep and lamb numbers were down 473,000 head, or 1 percent, the fourth year of relatively little change. The decline was largely in numbers on feed.

Cattle slaughter in 1956 will likely include more steers and heifers off ranges and pastures than last year. Total cattle slaughter will likely exceed that of 1955.

So far this year, heavy marketings of fed cattle have held total cattle slaughter above a year earlier. The number of steers marketed at 7 leading markets in January and early February was over one-fourth larger than a year earlier. However, the number of cattle and calves on feed January 1 was up only one percent from January 1955, and replacements since that time appear to have been below a year ago. In view of these trends, fed cattle slaughter in months ahead could drop back to the level of last year. Relatively steady or slightly higher fed cattle prices are likely this spring, particularly for the upper grades, in contrast to a decline last year. A seasonal price increase for the better grades this fall would widen the price spread between grades.

A small increase in hog marketings is expected in 1956 over a year earlier, with a considerable gain in the first half of the year partially offset by a reduction in the last half. On January 1 there were 12 percent more pigs under 6 months old on farms than a year earlier. Marketings in the last half will come largely from the year's spring pig crop for which farmers planned a 2 percent reduction. Hog prices moved up in late January, largely in response to smaller receipts but by mid-February had lost part of the advance. Seasonally increasing supplies of 1955 fall pigs will likely limit price rises this spring. This summer when marketings are again seasonally low, hog prices should recover substantially.

From November, when the Department of Agriculture's pork buying program was initiated, through the third week of February, 90.4 million pounds of canned and frozen pork and 31.0 million pounds of lard had been purchased by the Department. The purchased pork products are donated for use in the National School Lunch Program and by welfare agencies.

January 1 sheep and lamb inventories have been relatively stable during the past 4 years. Lamb and mutton production in 1956 is expected to be little different from 1955, but it could be down sharply if producers should start rebuilding flocks during the year. The 8 percent fewer sheep and lambs on feed at the beginning of the year point to correspondingly smaller fed lamb slaughter this winter and spring. Seasonal price increases for lambs this spring will be limited by ample market supplies of other meat animals.

DAIRY PRODUCTS

Production of milk began 1956 with a new record high for January and present indications are for a new high for the year as a whole. The number of milk cows at the beginning of the year was nearly equal to that of early 1955. The rate of milk production per cow, however, has been at a record high level for the past year and a half and promises to continue high through 1956. The number of milk cows also may turn upward before the end of the year. Favoring a continued rise in total milk production has been the improved price and income position for dairy products compared with other farming enterprises, especially hogs. The milk-feed price ratio in recent months has been substantially more favorable for dairying than a year earlier. In fact, in December and January the milk-feed price ratio was the highest since 1946-47.

The Department of Agriculture has announced that current support prices for manufacturing milk and butterfat and current buying prices for butter, Cheddar cheese and nonfat dry milk will be continued through the 1956-57 marketing year which begins April 1. The support prices of 3.15 dollars per cwt. for manufacturing milk and 56.2 cents per pound for butterfat are equivalent to 82 percent and 78 percent of parity, respectively.

With continued large production of milk on farms, prices to farmers for milk and butterfat probably will continue close to the support levels. Retail prices for dairy products are not likely to change significantly during the year. Marketing costs of dairy products have been fairly stable in the past year.

With increasing population, continued large incomes of consumers and fairly stable retail prices for dairy products, the quantity of dairy products consumed in 1956 will show about the same increase over 1955 as production. It is likely that per capita consumption for individual manufactured dairy products will be essentially the same in 1956 as in 1955. However, with continuation of the Special School Milk Program (possibly on an expanded basis) and the program to increase milk consumption by the armed services, per capita

consumption of fluid milk in total in 1956 probably will increase a few pounds over 1955. On balance, it appears that the supply of dairy products will exceed demand at support prices by about the same margin as in 1955.

Per capita consumption of dairy products in 1955 totaled about 703 pounds compared with 699 pounds in 1954 and the record low of 688 pounds in 1953. These quantities include dairy products distributed from CCC supplies. Civilian consumption from commercial sources on a per person basis was 674 pounds in 1955 compared with 668 pounds in 1953.

Despite the comparatively small change in per capita consumption of dairy products as a group, there have been significant changes for some products. While consumption of all types of American cheese in 1955 about equaled the previous record of 5.4 pounds, consumption of processed declined, and consumption of natural cheese increased substantially. In the frozen dessert field, there have been increases in consumption of both "Mellorine Type" frozen desserts, and iced milks, a low fat-type of ice cream.

In recent weeks, purchases of dairy products by CCC have been substantially greater than a year earlier in contrast to the earlier months of this marketing year when purchases were substantially smaller. For the marketing year as a whole which ends March 31, CCC purchases will approximate around 4.75 billion pounds, milk equivalent basis, compared with 5.75 billion in the preceding marketing year and 11 billion pounds two years ago. The rate of distribution of dairy products from CCC stocks has exceeded purchases for the past 18 months and stocks have been reduced to the lowest level in three years. The present scale of distribution exceeds the likely rate of acquisition in 1956. Stocks of butter and nonfat dry milk are at relatively low levels, but stocks of cheese are still large.

POULTRY AND EGGS

Egg prices declined during January from the 1955 peak reached late in December. Iowa quotations at country points were 45-48 cents per dozen for Grade A large eggs on January 3, 30-31 cents on February 1, and 32-34 cents on February 15. The year before, egg prices rose sharply during this period, reaching 38-39 cents per dozen on February 15.

Until recently wholesale egg prices had been above a year earlier and feed prices lower. This has been a factor in farmers' intentions, as of early February, to raise 3 percent more replacement chicks than last year. Hatchery reports to date indicate that these intentions may be considerably exceeded; January hatchings of replacement-type chicks were 26 percent larger than last January while the February 1 number of eggs in incubators for flock replacement was 21 percent above a year earlier. These rates of increase are likely to taper off later in the season. Nevertheless, they will probably result in larger egg production in the last half of 1956 than in the same months of 1955.

Broiler prices have fluctuated in recent weeks, with Del-Mar-Va producers receiving 22 1/2-23 cents per pound in mid-February, compared with 19-19 1/2 cents a month earlier. Marketings throughout the United States have continued at a high rate, in line with placements over 20 million chicks weekly in 22 important States since the beginning of December. A year ago placements in mid-February were barely 20 million weekly in response to prices which, on the Del-Mar-Va peninsula, were 25 1/2 to 26 1/2 cents per pound. The current broiler-feed price ratio in Del-Mar-Va is 5.0 (pounds of broiler mash which can be bought with the value of a pound of broiler). Observers in producing areas report that under favorable operating conditions broiler prices in mid-February were high enough to more than cover operating costs.

Several USDA reports suggest that the turkey industry is moving toward a 1956 output of heavy turkeys consistent with a 14 percent increase in growers' intentions to purchase poults as of January. In October, breeders reported intentions to hold 14 percent more heavy breed hens in 1956 than in 1955 for hatching egg production. On January 1, 1956, the number of heavy-breed breeder hens on farms was 10 percent larger than a year earlier. In the last 6 months of 1955, the number of heavy turkeys blood-tested was 8 percent above the year before. The number of heavy-breed poults hatched commercially in the last 3 months was 3.2 million, against 1.9 million a year earlier.

In January farmers reported intentions to raise 16 percent fewer light-breed turkeys than in 1955. For these turkeys the January 1 breeder inventory, the testings, and the hatchery reports, all indicate declines.

OILSEEDS, FATS AND OILS

Soybean prices are well above support, reflecting record crushings and exports. A substantial part of the heavy crushings is due to a strong export demand for edible vegetable oils. Soybean oil prices have increased nearly 20 percent from mid-December to mid-February. Supplies of soybean meal are large and prices have been relatively stable at a level much below that of a year ago. Farmers through mid-January put 26.9 million bushels, 7 percent of the soybean crop, under support programs. A year ago, they put 34.3 million bushels, 10 percent of the crop, under support.

Flaxseed prices also are substantially above support, primarily because of a strong world demand. Exportable supplies of flaxseed and linseed oil in other countries are down from last year and world prices have increased. Linseed oil prices in Europe are the highest in over three years. Domestic prices of linseed oil also have moved up considerably. Through mid-January, farmers placed 7.6 million bushels, 19 percent of the flaxseed crop, under support compared with 7.0 million bushels, 17 percent of the crop, a year earlier.

Lard prices increased sharply during the past month, but are still well below the edible oils. The seasonal peak in hog slaughter has been passed and export and domestic demand continues heavy. Exports and shipments in October-December 1955 totaled about 205 million pounds, 32 million more than last year. About twice as much lard was used in shortening in October-December 1955 as the year before. This reflected substantially lower prices for lard than for the edible vegetable oils. Use of lard in shortening was at a record level in calendar year 1955. Direct consumption of lard in recent months has been about the same as last year.

Government programs, primarily under Public Law 480 are encouraging exports. Since mid-September 1955, agreements and authorizations for 97 million dollars worth of food fats have been made.

Prices of inedible tallow and greases have declined nearly 15 percent since the beginning of the marketing year and are well below a year ago. Total disappearance has been large, but output was at a record level. Stocks on January 1, 1956 were 14 percent larger than last year but less than any other comparable date since 1951.

The USDA on February 8 announced that the 1956 soybean, flaxseed and cottonseed crops would be supported at 75, 70 and 70 percent of parity, respectively. These percentages represent an increase of 5 points from the 1955 levels. The actual support prices and comparisons with the 1955 levels are as follows: Soybeans, \$2.15 per bushel, up 11 cents; flaxseed, \$3.09 per bushel, up 18 cents; and cottonseed \$48 per ton (loan value), up 2 dollars. Present prices for 1955 crop soybeans and flaxseed are moderately above their 1956 support levels.

FEEDS

Corn prices have strengthened in recent weeks and by the middle of February market prices were at about the highest level so far this season, but were around 25 cents per bushel lower than a year earlier. The mid-January price received by farmers averaged 42 cents below the 1955 support level; 200 million bushels of 1955 corn had gone under price support through January 15, much more than in the same period of 1954-55. Prices of oats, barley, and sorghum grains also are lower than a year ago, but have advanced to near the 1955 supports. Prices of many of the byproduct feeds declined slightly during January and early February, continuing substantially lower than a year earlier. Production of soybean meal during October-December 1955 was 15 percent larger than a year earlier, which has contributed to the decline in prices of high protein feeds, particularly soybean meal and animal proteins.

Stocks of the four feed grains in all positions on January 1 totaled 116 million tons, 8 percent larger than last year, and the largest on record either in total or per animal unit. Total utilization of feed grains during October-December 1955 was 9 percent larger than in that quarter of 1954, but

a little below the 1949-53 average. After allowing for moderately larger utilization than a year earlier during the remainder of the 1955-56 season, the carryover into 1956-57 is expected to be around 5 million tons above the 39 million ton carryover at the beginning of the 1955-56 season.

On February 1 the Department of Agriculture announced corn acreage allotments for the 1956 crop totaling about 43.3 million acres, or about 24 percent below the acreage planted in the area last year. This is about 15 percent smaller than the 1955 allotment for the comparable area. The 1956 commercial area includes 840 counties in 23 States, which is larger than the 1955 area of 805 counties in 21 States. Farmers are required to plant within their acreage allotments to be eligible for price support. The national minimum average support price for 1956 corn was announced on February 8 at \$1.40 per bushel. This was 81 percent of the mid-January parity price and 18 cents per bushel below the 1955 support. Support prices also were announced for 1956 crops of other feed grains at 70 percent of the January 15 parity prices, the same percentage of parity as in 1955. The national average support price for oats is 59 cents per bushel, 2 cents less than in 1955; barley 93 cents per bushel, 1 cent lower; and sorghum grain \$1.80 per hundred weight, 2 cents higher than last year.

WHEAT

Cash wheat prices continue generally around the high of the season to date. On February 20 the price of No. 2 Hard Red Winter wheat, ordinary protein at Kansas City and that of No. 2 Soft Red Winter at St. Louis, at \$2.20 and \$2.27, respectively, were both at the highest level of the season to date, while the price of No. 1 Soft White at Portland was \$2.20, only fractionally below its high. On the other hand, the price of No. 1 Dark Northern Spring at Minneapolis at \$2.36 was 8 cents below its peak reached in September. The prices at Kansas City and Minneapolis were 16 and 13 cents above the low of the season, while prices at St. Louis and Portland were 38 and 7 cents above their low points. The average price received by farmers in mid-January was \$1.95, the same as a month earlier, but 19 cents below a year earlier. The average support rate to growers this year at \$2.08 per bushel is 16 cents below a year ago. Strength in wheat prices in the face of the largest supplies in our history reflects the effects of the support programs. Very large quantities of old-crop wheat are held by the CCC. Also, farmers had placed 257 million bushels of 1955-crop wheat under support through January 15, compared with 381 million bushels on the same date a year earlier from the larger 1954 crop.

Total supplies for the 1955-56 marketing year are now estimated at 1,964 million bushels, which is an all-time record high and compares with 1,892 million a year earlier. The supplies this year consist of the carryover July 1, 1955 of 1,022 million, production of 938 million, and an allowance for imports of about 3 million bushels. If domestic disappearance totals about 625 million, somewhat above a year ago, and 275 million bushels

are exported, about the same as last year, a carryover of around 1,065 million bushels is indicated. Exports in July-January this year totaled about 147 million bushels which is the same as in the same period a year earlier. The indicated carryover would be about 40 million bushels above the stocks on July 1, 1955. A year earlier stocks increased 120 million bushels. The carryover rose from 256 million bushels on July 1, 1952 to 902 million on July 1, 1954.

RICE

Rice growers approved marketing quotas for the 1956 rice crop in the referendum held January 27. The final tabulation indicated that 84.6 percent approved quotas. Approval of at least two-thirds of the growers voting in a referendum is required before quotas are put into effect. Growers who exceed their farm rice acreage allotments in 1956 will be subject to a marketing quota penalty on the excess rice. The amount of the penalty will be equal to 50 percent of the June 15 parity price for rice. Compliance with farm rice acreage allotments will be a condition of eligibility for price support on 1956-crop rice.

FRUIT

With strong demand for oranges for processing, grower prices for Florida oranges have continued to increase since the beginning of the year. In early February, prices for Florida oranges at shipping points and at processing plants averaged considerably higher than a year previously. After declining for several weeks, terminal auction prices for California oranges began to advance in mid-January, and in early February averaged moderately above a year previously. Demand for Florida oranges is expected to continue strong this winter and spring. Supplies of oranges remaining to be marketed this winter and spring are a little larger than comparable supplies a year ago.

In early February, supplies of Florida grapefruit remaining to be marketed this winter and spring were moderately larger than a year previously. Although prices at shipping points in Florida declined during January, they tended to hold steady in early February at levels a little under a year earlier. On the principal auctions, prices declined during late January as shipments increased. However, prices in early February averaged a little above a year previously.

Weekly output of frozen orange concentrate in Florida during January 1956 continued heavier than in January 1955. By February 4 of the 1955-56 season, about 25 million gallons of this product had been made, 26 percent more than a year earlier. In contrast, the pack of canned single-strength orange juice (12 million cases, 24 No. 2 cans) was 9 percent lighter. The pack of canned grapefruit juice was up 46 percent while that of canned grapefruit sections was down 17 percent. Cold-storage stocks of frozen orange juice, mostly concentrate, were about 17 percent larger on February 1, 1956 than a year earlier. In Florida, packers' stocks of canned orange juice on February 4 were down 20 percent from a year ago.

With year-end cold-storage stocks of apples and pears somewhat heavier than last winter, grower prices for these fruits, on a national average basis, averaged somewhat lower in January than in this month of 1955. In early February, prices for apples at shipping points in New York and Michigan tended to decline while prices in Washington and the Appalachian area tended to hold steady. Moreover, in the latter area, prices for Winesap averaged moderately higher than a year previously. On the New York auction, prices for the D'Anjou pear, the principal winter variety, tended to increase during January, and in early February prices averaged moderately higher than a year previously.

The Florida winter crop of strawberries, now being harvested, is a little larger than the 1955 crop. The reduction in yield per acre caused by low temperatures in January is more than offset by increased acreage. Prospective acreage for harvest in the early spring States, mostly in Louisiana is up 15 percent this year. Cold-storage stocks of frozen strawberries on February 1, 1956 were 29 percent larger than a year earlier. Total cold-storage holdings of frozen deciduous fruits and berries (excluding fruit juices were up 10 percent.

COMMERCIAL VEGETABLES

For Fresh Market

Indications are that aggregate supplies of vegetables for fresh market sale will be about as large this winter as last. Low temperatures in January severely damaged tender winter crops in Florida. Production prospects for snap beans, sweet corn, cucumbers, green peppers and tomatoes have been cut sharply from earlier estimates, and from last year's levels. Egg plant and escarole were also hard hit by the freeze. Also excessive moisture in Central California resulted in loss of considerable vegetable acreage and lowered quality of some crops. On the other hand, adverse weather caused little permanent damage to the hardy crops. Indications are that tonnage of cabbage, celery and lettuce from the winter producing States (Florida, California, Texas and Arizona) will be substantially larger this winter than last. Imports of winter-season vegetables particularly tomatoes, are expected to be relatively light again this winter because of early February freeze damage on the West coast of Mexico. Demand is expected to continue strong and aggregate prices received by farmers for winter season vegetables are expected to average near those of a year earlier.

Acreage reports are available for 7 fresh vegetables for spring harvest. Reports as of February 1 point to a much larger acreage for harvest this spring than last for onions, and a moderately larger acreage for cabbage. Prospective production of broccoli promises to be almost one-third smaller than a year earlier while production of cauliflower is likely to be little more than half as large as in the spring of 1955. Primarily because of the late December and January rains and floods in Central California.

The acreage-marketing guide released by the Department of Agriculture in January suggests a 2-percent smaller acreage of vegetables for summer harvest this year than last, a 4-percent cut in acreage of cantaloups and a 10 percent cut in acreage of watermelons. On the acreage recommended, yields near the average of recent years would result in a slightly larger production of summer vegetables than a year earlier, a moderately larger production of cantaloups, but a substantially smaller production of watermelons. For fall vegetables, the 1956 guide recommends an acreage 1 percent smaller than in 1955. If yields should be near average, production on the suggested acreage would be slightly larger than in the fall of 1955.

For Processing

Supplies of canned and frozen vegetables available for the remainder of this marketing season are a little smaller than a year ago. With demand expected to continue strong, a continued good rate of movement at steady to firm retail prices is expected for most processed items.

The Department acreage-marketing guide for 1956 recommends a 2 percent increase in acreage of vegetables for processing compared with 1955. An increase of 10 percent in acreage was recommended for cabbage for kraut, 10 percent for cucumbers for pickles, and 5 percent increases were suggested for sweet corn and green peas. Smaller acreages were recommended for snap beans, spinach and tomatoes. If yields should average near those of recent years, production of vegetables for processing, on the suggested acreage would be about 3 percent larger than a year earlier; production would be larger than in 1955 for lima beans, beets, cabbage for kraut, sweet corn, green peas and tomatoes, while tonnage would be materially smaller for snap beans and spinach, and perhaps slightly smaller for cucumbers for pickles.

POTATOES AND SWEETPOTATOES

Consumer demand for potatoes into the spring is expected to be about the same as a year earlier. The potato diversion program has removed a considerable quantity of potatoes from regular marketing channels. Through February 11, almost 10 million bushels of potatoes had been directed to starch, and about 1.4 million bushels to livestock feed. Stocks of merchantable potatoes on January 1, at 127 million bushels were about 4 million bushels heavier than a year earlier.

As of early February, prospects are for larger potato crops than last year in both the winter and early spring producing areas. The diversion program is still in effect, and although supplies of potatoes on January 1, were larger than a year earlier, prices, particularly of red varieties are above early January levels and well above the low levels of last fall.

According to early January intentions reports, growers plan to plant a 7 percent smaller acreage of potatoes for late spring harvest and a 3 percent smaller acreage in the 36 Intermediate and late States. Indicated acreage with yields near the average of recent years would result in a moderately smaller production than in 1955.

Supplies of sweetpotatoes available during the remainder of this marketing season appear to be larger than a year ago and prices received by growers during the next 3-4 months are expected to average below those of the corresponding months of 1955. The Department acreage-marketing guide for 1956 suggests a 6 percent smaller acreage of sweetpotatoes than was harvested in 1955.

DRY BEANS AND PEAS

Supplies of dry edible beans are moderately larger than a year earlier, and both support and market prices are considerably lower. Supplies of white beans are substantially larger while supplies of colored beans are slightly smaller than a year ago.

Supplies of dry field peas were almost one-third smaller this marketing season than last. However, export demand is much lighter and, during the remainder of the marketing season, prices of dry field peas are not likely to reach the high levels of a year earlier.

COTTON

The average 14 spot market price for Middling 15/16 inch cotton continued to gain in January and early February. The average for January of 34.09 cents per pound was 0.39 cents above December and the highest since October 1954 when these prices averaged 34.23 cents per pound. On February 17, the price reached 35.45 cents per pound compared with 33.92 cents a year earlier. The rise in prices was probably caused by the very large stocks held by CCC (owned and held as collateral against outstanding loans). At the end of January these stocks amounted to about 14 million bales, almost as large as the total carryover estimated for August 1, 1956.

Beginning with January 1956, effective parity prices for upland cotton are computed by using the modernized formula. The mid-January parity was 34.84 cents per pound. This compares with a parity price a month earlier of 35.09 cents and a year earlier of 35.22 cents, both of which were computed under the old formula.

Activity in the cotton textile industry continues at relatively high levels. The average daily rate of consumption has been above a year earlier for each month since October 1954. The January rate of 37,350 bales per day

was the highest for that month since 1950. The ratio of mill stocks to unfilled orders for cotton cloth has been declining steadily since April 1955. By the end of November the ratio was down to about 0.23, lowest since May 1951, and about 40 percent below the average for the postwar period. This presages a continued favorable rate of mill consumption during the next few months. The average mill margin for gray goods (17 constructions) has risen steadily since June 1955 and in January was 31.26 cents for the amount of cloth made from a pound of cotton or up 4.92 cents from the June level. This reflected primarily the rise in fabric values from an average of 62.58 cents in June to 67.30 cents in January.

Special sales for export of 15/16 inch and shorter cotton by CCC through February 17 totaled about 805,000 bales. The total quantity available for export under this program is one million bales. Bids were first opened on January 3. Discounts below the average 14 spot market price for Middling 15/16 inch cotton for sales under this program have been 9.88 to 5.75 cents per pound.

Exports of cotton from August 1 through December 1955 were about 665,000 bales. This compares with 1,626,000 bales in the same period a year earlier. Exports during December 1955 of 159,000 bales were about 338,000 smaller than in December 1954.

WOOL

The decline in prices received by United States producers for shorn wool this season results from larger world supplies and the change in the way in which support is provided. Prices dropped from an average of 48.7 cents per pound, grease basis, in mid-April to 39.5 cents in mid-January. Wool prices in world markets have dropped sharply over the last two years, though they have recovered a little in recent months.

Under the payments program which went into effect with the current season, (April 1955-March 1956) growers sell their wool in the open market at prices reflecting world supply and demand conditions. After the close of the season, they are eligible for Government payments which bring the average return per pound for all growers up to the support or incentive level. The incentive level under both the 1955 and 1956 programs has been set at 62 cents, which is substantially above the average price received so far this year and also of the average price, 53.9 cents, received during the 1954 marketing season. Market prices this season have been averaging substantially lower than this and are expected to continue to do so during the 1956 marketing year.

Under both the 1955 and 1956 programs, 'pulled wool will be supported through Government payments on live animals. However, eligibility requirements under the 1956 program have been revised so that each producer who has owned unshorn lambs for at least 30 days will be eligible for payments for weight gained during his ownership.

With about the same number of stock sheep and lambs on farms and ranches at the beginning of this year as last year, shorn wool production in the United States in 1956 is not likely to be much different from 1955. The Foreign Agricultural Service estimates that 1955-56 world production will be between 2 and 3 percent, clean basis, larger than the 1954-55 clip.

Domestic mills used more of both apparel and carpet wool in 1955 than the year before. The average weekly rate of apparel wool consumption was up about 7 percent but, except for 1954, was the lowest since prewar and less than 2 percent above the 1935-39 average. On a per capita basis, it was about one-fifth below 1935-39 reflecting the long-time downward trend in mill use. The rate of carpet wool consumption was 16 percent above 1954.

Imports of dutiable wool were up 8 percent and of duty-free wool up 33 percent during the first 11 months of the year. The large increase in duty-free imports last year reflected an increase in stocks of carpet wool over the year as well as higher consumption.

TOBACCO

Marketings of the 1955 burley crop were about completed by early February. Sales revealed that the crop was smaller than expected earlier. The 1955-56 total supply--carryover plus 1955 crop--at about 1,820 million pounds is 2 1/2 percent below the peak 1954-55 level but still the second largest on record. The substantial rise in prices of the lower and middle grades was mainly responsible for raising the general average to a record of 58 1/2 cents per pound. About 15 percent of the crop was placed under Government loan--much less than a year earlier when one-third of the huge 1954 crop went under loan.

The total supply of flue-cured tobacco in the current marketing year is about 3,540 million pounds--9 1/2 percent above 1954-55. The exceedingly large 1955 crop averaged 52.8 cents per pound--the same as a year earlier. More was placed under Government loan than in any previous season--amounting to about one-fifth of the crop.

Marketings of 1955 Virginia fire-cured (type 21) and sun-cured (type 37) have been completed. For both types, prices averaged below last season mainly due to the larger proportion of poorer quality tobacco. Auctioning of 1955 Kentucky-Tennessee dark air-cured tobacco is completed and prices for One Sucker (type 35) and Green River (type 36) averaged 3 and 15 percent lower than last season. Auction sales of Kentucky-Tennessee fire-cured are beyond the halfway mark and prices thus far average about the same as last season.

Marketings of Wisconsin tobacco began just prior to mid-January. Through mid-February, the general average for Northern Wisconsin (type 55) was more than one-fourth lower than in the same period a year earlier. The

proportion sold as binders (the higher-priced grades) has been much less than a year earlier. The general average price for Southern Wisconsin (type 54) was down slightly from last season because of the smaller percentage of binder quality.

Large quantities of the Connecticut Valley binder types continue moving under loan with receipts to date equal to about 40 percent of the estimated 1955 production of 22 1/2 million pounds. Present indications are that loan receipts from this crop will total from 11 to 12 million pounds.

Consumption of cigarettes and cigars increased from 1954 to 1955 and further gains seem likely this year. Private estimates indicate that sales of filter tip cigarettes rose sharply during 1955, more than offsetting the decline in nonfilter cigarettes. Output and consumption of smoking and chewing tobacco continued their gradual decline in 1955 but there was an increase for snuff.

Exports of unmanufactured tobacco during calendar 1955 totaled nearly 539 million pounds (declared weight)--19 percent above 1954 and the largest since the unusually large amount in 1946. About 84 percent of the total 1955 tobacco exports was flue-cured, which accounted for the predominant share of the increase from 1954 to 1955. Exports of most other types held rose some and there were significant increases for One Sucker, Black Fat, and cigar wrapper. Contributing to the increased tobacco exports in 1955 was the approximately 45 million pounds shipped under the programs of the Agriculture Trade Development and Assistance Act (Public Law 480). It is expected that exports under this program in 1956 will at least equal and probably exceed those of 1955.

On February 16, Congress passed a bill nullifying the previously announced cuts in 1955 acreage allotments for burley, fire-cured, dark air-cured and Maryland tobacco. The cuts in acreage allotments had amounted to 20 percent for dark air-cured and 15 percent for the other three types.

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